

Address by Cong. Henry A. Waxman
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“Health Care Agenda for 2006”
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Good morning. It is a pleasure to join you today, and share some of my thoughts about the state of health care in America in general, and the health care agenda of the Congress in 2006 in particular.

In many ways these are exciting times for health care in America. We continue to see great promise in the advances in medicines, and our ability to deal with diseases. The ability to map the human genome, and the resultant ability to tailor treatments with personalized medicines on the basis of an individual’s genetic make-up, looms before us.

Technology allows us the ability to lead productive, active lives for persons with severe disabilities who previously were unable to utilize their potential.

The power of information technology provides opportunities for great efficiencies and coordination in health care delivery. And our interest in putting quality into the equation in the way we access and pay for medical care can provide significant advantages to patients if we harness it properly.

And yet, to me the most important issue in health care remains what it has been for decades: millions and millions of uninsured Americans.

How can we as a society take pride in the developments of technology and increasingly miraculous medical treatments when we have nearly 46 million Americans with no source of payment for their care.

We deliberately fool ourselves if we act as though this doesn’t make a real difference in access to care. Of course it does.

I don’t need to cite the statistics for you. If someone hasn’t got coverage, they won’t get early treatment. The likelihood that they will suffer from chronic and disabling conditions, from poor health that affects their ability to work and learn productively, is clear. The Institute of Medicine estimates that 18,000 people die each year because of the consequence of uninsurance.

It is simply unacceptable.

Health Care Agenda for 2006:

But in my view, the health care agenda of this Congress and this Administration is one that will make the problem worse.

Instead of policies that will strengthen public programs that work, we see no efforts for their expansion at best, and indeed, in the case of Medicaid, proposals that reduce the Federal commitment to the program, and take away the protections in the program that have helped it serve the most vulnerable and needy among us.

Instead of policies that expand and strengthen employer-based coverage, we have more tax incentives for HSAs which will undermine it. Instead of comprehensive coverage for necessary health services, we set up incentives to limit coverage to catastrophic care.

Instead of talking about how to use our resources most effectively, we spend \$60 billion in reduced tax revenues for HSAs, and then proclaim our need to cut health spending so we can balance the budget.

These priorities are exactly wrong.

Instead of strengthening the concept of a broad-based pool of people that has been the bedrock concept of insurance, this Congress and this Administration pursue policies that fracture the pool, take out the healthy, take away the common support of vital benefits, and undercut appropriate insurance regulation.

Association health plans take us backward. Proposals like the Shaddeg bill, the so-called Health Care Choice Act, and the Enzi bill that is due to be marked up tomorrow in the HELP committee, erode consumer protections, undercut important benefit protections, and encourage a race to the bottom.

Telling people they can purchase a policy in any State that is licensed in any other State, encourages healthy people to tailor plans only to meet their needs, and leave the people who need maternity coverage or services for diabetes or other care, in an increasingly limited and expensive pool of sick people.

Again, this is exactly the wrong way to go.

Of course, you won't find anyone in Congress who doesn't profess to be concerned about the uninsured. They pay lip service to reducing that number from the 46 million it is today.

But the way this Administration and Congress are going about it is to give the illusion of coverage without the reality of giving people what they need. It is finding a way to let the young and healthy buy cheap plans and leave the older and sicker behind. It is favoring the better-off with a great deal of disposable income while telling people that can barely scrape by that they'll be better off if they are paying for their care out of pocket.

All of this is precisely the wrong approach. It is in my view based on a flawed view that somehow the individual acting alone in an essentially unregulated market will

be a better negotiator than health plans like you who have the strength to negotiate rates and services.

It ignores the fact that 20% of the people account for 80% of the health care expenditures. Asking them to absorb the cost of high deductibles is not going to make them better buyers or more effective negotiators.

The idea that the problem with the health care system is that people who are insured today don't have a concept that health is expensive is ridiculous, in my view.

And it is outdated.

Who has comprehensive coverage now, without sizeable coinsurance obligations? Very few people are in that lucky state. The few left who may indeed have close to first dollar coverage are those left in the traditional HMOs who in fact recognized the advantage of early and comprehensive care. They are not the culprits in the continuing increase in health care costs.

Looking at the health care agenda this Administration has laid out for 2006 and the future, it is wrong at virtually every turn.

Taking dollars out of Medicaid and taking away the vital protections for poor children and seniors and persons with disabilities is unconscionable.

Last year's budget took away the protections and gave the States greater flexibility to take away benefits and increase cost-sharing on the lowest income people. Those changes were justified by saying that the economic burden on the States of the program was unsustainable.

So what does the budget do this year? This budget pulls Federal dollars out by proposing a number of policies that shift costs to the States.

What else does the budget do? Cuts NIH grants, cuts funds for children's hospitals, tightens funding for immunizations, flat funds or cuts the entire public health budget, and cuts Medicare.

Very perniciously, the budget proposes across the board cuts in Medicare, affecting drug plans and hospitals and doctors and beneficiaries—no one is exempt—if the portion of the program paid for by general revenues exceeds an artificial target.

We had something like that once before. It was part of the Gramm-Rudman budget approach, and it was called sequestration. Bad as it was then, at least there were special rules to protect Medicare from these cuts, by setting a limit.

This time Medicare itself is the target.

Role of AHIP:

What is your role in all of this?

You have grown into one of the most influential organizations in Washington. With more than 1000 insurance companies as members, you provide insurance for more than 200 million Americans.

You and your members represent more of the nation's health care dollars—health care revenue and spending—than any other trade association in the United States.

You and your leaders, like Karen Ignani, are very effective. And you have incredible connections with and support from those in power in this Administration and this Congress.

So you have accumulated the things that Washington associations aspire to—size, economic and political clout—and connections with those who have power.

What are you going to do with it? Where do you stand on the key health issues—Medicaid, public health, the uninsured, and where will you stand in the future?

What are your priorities?

When is it that is worth using your clout to raise to the top levels of the White House?

Surely, as insurers, you know that limiting insurance coverage, leaving the consumer on their own, fracturing the risk pool, undermining appropriate regulation, are not the right way to go.

And yet I see you on the HSA bandwagon.

Do you endorse the response to the American public's concern about rising health care costs by saying the solution is for you to pay even more out of pocket?

I know you endorse the movement to reward and support quality in our health care services. And yet when we look at proposals to reward managed care plans on the basis of quality measures, I don't see you involved.

I don't mean to imply here that you haven't spoken up against Medicaid cuts. You have, and I applaud you for that.

I know many of you serve Medicaid beneficiaries. I have heard from you of your frustrations when you receive payments from the States that are inadequate. The law

tried to protect you by requiring State payments to meet a test of actuarial soundness. That unfortunately has not been enforced. You are right to be concerned about that.

Yet taking Federal funds away from State Medicaid programs, refusing to enforce standards, and indeed overriding the requirements of the law will only worsen this situation.

And if you are frustrated with the situation now, when States take beneficiaries out of Medicaid and enroll them in private benchmark plans with no assurance of adequate rates, and with benefits that don't meet the special needs of the sickest and most disabled of the Medicaid population, you will find yourselves in a most uncomfortable situation.

If you care about the strength of the health care infrastructure—trauma centers and children's hospitals and biomedical research and the public health infrastructure—all of these are suffering because of the deficit our tax policies have put us into.

This Administration came into office with the first substantial surpluses in generations. We had the opportunity to substantially improve our social programs and begin to meet serious health care challenges.

Instead, we cut taxes, then cut them some more, and now want to cut them again—permanently into the future. We know deficits will result. We know spending will be cut to solve the problem our tax policy created. And we know health care programs and health care coverage and the health of the American people will suffer.

You are an important part of the health care system, and if you care about it, which I know you do, you need to oppose those tax policies and work to maintain the fiscal health of this country so we can address issues like having 46 million people uninsured.

Medicare Drug Benefit:

Before I close, I would be remiss if I didn't comment on the Medicare prescription drug benefit.

It is no secret to anybody in this room that I strongly support a Medicare prescription drug benefit, and that I think the structure of the one we adopted is wrong.

In my view, prescription drug coverage should have been made a basic Medicare benefit. People should have been able to walk into their pharmacy on January 1, show their Medicare card and get their benefit. The combined purchasing power of Medicare's beneficiaries should be used to bring down drug prices.

And let me be clear—just as people in Medicare have the choice to select a private plan alternative now, that same choice should have been there.

I am not trying to block a role for private drug plans, but simply put it in the structure of the program we have now.

But that is not the way we went.

In seeking to give seniors choices, we have so overwhelmed them with choices that they are frustrated, confused, and frequently find themselves in plans where they are not getting the drugs they need.

While some of these problems may lessen as we get over the early days of implementation, I believe our problems are only beginning.

We know that plans can change prices and change coverage after beneficiaries have enrolled. This is going to be the source of constant problems and unfair treatment.

Only recently, my staff at the Government Reform Committee did a quick survey of the prices listed for the top 10 drugs in the biggest plans out there, and found that prices had gone up substantially. In just one month, the increase averaged 4%.

The prices went up faster than any other benchmark—faster than the wholesale drug prices, faster than Canadian prices, faster than prices at DrugStore.Com.

One of the most disturbing findings of the report was that plans that posted the lowest prices in December had the biggest price increases in February.

Now I know your organization has responded to that report with the defense that this has occurred because, and I quote, “increases in prices for prescription drugs covered by benefit plans for those under or over 65 usually are the result of higher manufacturers’ prices that flow through the system.”

The argument is since plans negotiate a discount off the AWP, when manufacturers increase their price, the plan’s price goes up too. This is an explicit recognition that plans are not succeeding in controlling drug prices. It shows the flaw in the logic behind the entire Part D drug plan.

Your letter also noted that this occurs in all plans—the situation for the Medicare beneficiaries isn’t any different.

But here I beg to differ. What is different is that we’ve got drug plans specifically designed for seniors. We’ve put information on the web site on prices, as well as on what drugs are covered. We’ve told them to use all that information to figure out what plan works best for them.

And then we say, oops, prices changed. It's out of our control! The information you based your decision on just changed.

That is just not going to be acceptable.

I also worry that private plan participation in the drug benefit may be unstable. I think we have too many plans. But, just as with managed care plans a few years back, beneficiaries are going to face all these problems all over again when they find themselves looking for another plan because their first choice pulls out or jacks up their premium in year two.

I want to be clear. This is not the Medicare drug benefit I would have designed. It needs very basic overhaul. But it is the one we've got.

And until we change it, I want to see it work as well as it can.

And I believe my role, and the role of others who are concerned about how this is working, will be to do everything we can to monitor the actions of the drug companies and the plans, and to shine the light of public scrutiny on them.

Conclusion:

We have major continuing problems in our health care system. You and your organization will be front and center in how we address those issues now and in the foreseeable future.

I ask that you reflect a broad view that looks indeed at the plight of the millions of Americans who are enrolled in your plans, the millions more in Medicare and Medicaid, and the 46 million who remain uncovered.

In that task, I stand ready and willing to work with you.